

**LODI CITY COUNCIL  
SPECIAL CITY COUNCIL MEETING  
CARNEGIE FORUM, 305 WEST PINE STREET  
TUESDAY, MAY 6, 2003**

**A. CALL TO ORDER / ROLL CALL**

The Special City Council meeting of May 6, 2003, was called to order by Mayor Hitchcock at 7:04 a.m.

Present: Council Members – Beckman, Hansen, Howard, Land, and Mayor Hitchcock

Absent: Council Members – None

Also Present: City Manager Flynn, City Attorney Hays, and City Clerk Blackston

**B. REGULAR CALENDAR**

**B-1 "Review and discuss fiscal years 2003-05 Financial Plan and Budget alternatives"**

Deputy City Manager Keeter reviewed the budget calendar (filed) and noted that Council Members would be given an opportunity to meet with the City Manager to review the 2003-05 budget after its release tomorrow.

Finance Director McAthie reviewed the report (filed) outlining scenario 5 as follows:

- The hire lag in the 1<sup>st</sup> year would be 10 positions, and 15 positions in the 2<sup>nd</sup> year;
- The Arts Commission grant program, Downtown Lodi Business Partnership, Convention and Visitor Bureau, Chamber of Commerce, Kid's Night Out, and the San Joaquin Partnership would remain at their current funding amounts;
- Public Works intern hours of \$22,000 would be included in the budget, and Public Works would offer additional budget reductions for this amount;
- Part-time hours in Administration would be included in the budget, and the City Manager would offer additional budget reductions for this amount;
- The Protocol Account has been reduced by \$4,000; and
- Council Members' business expense accounts would be reduced by \$3,200 overall.

Ms. McAthie reported that scenario 5 ends with \$3.1 million in the 1<sup>st</sup> year (14.71% fund balance) and nearly \$2.5 million in the 2<sup>nd</sup> year (12.19% fund balance).

City Manager Flynn stated that the City's reserves are approximately \$3 million higher than what is projected on the report. He explained that there is money in the liabilities and Workers Compensation accounts, as well as undesignated and unrestricted monies in the capital account. He noted that these accounts are treated like separate funds to make certain that they are not thought to be available for any other purpose. An example of restricted reserves would be money from Certificates of Participation in the capital account. Designated reserves would be accounts such as liability and Workers Compensation that are designated for a specific purpose, but are not restricted for that purpose. He reported that \$700,000 was paid in advance to CalPERS to take into account that (at the time) they were not billing the City for the employees share. Water, Sewer, and Electric enterprise funds are treated separately. There is also some transportation money that is treated separately because it cannot be used for any other purpose. The tax sharing agreement with the County may also affect the City's revenues. The County's latest proposal is an 85/15 split for annexations where there is not a fire district. For annexations with fire districts, the County is proposing a 95/5 split. The County has indicated that it would not approve the agreement until cities adopt the County's impact fees. Mr. Flynn reported that at the last meeting, the city managers countered by asking the County to adopt the impact fees in the cities' sphere of influence due to the impact that results when county development occurs adjacent to cities.

Mr. Flynn stated that a suggestion was made to decrease discretionary expenditures on food and beverages, which totals \$22,000 annually. The bulk of these expenses are for three annual events: 1) reception honoring citizen volunteer service and retirements on various boards and commissions; 2) Council and new Mayor's inauguration reception; and 3) City employees' holiday appreciation reception. Coffee, beverages, and refreshments are also provided for Council meetings.

Council Member Land suggested that food not be provided for Council meetings unless they begin at 5:30 p.m. or earlier, to which Mayor Hitchcock agreed.

In reply to Council Member Land, Mr. Flynn stated that, if approved, Assembly Bill 1221 would not impact the City's budget in the 1<sup>st</sup> year. He noted that AB1221 stipulates that cities would give the State half of their sales tax and the State would reimburse cities the value of that in property tax. Mr. Flynn stated that because Lodi is a low-growth community, it will not see a lot of residential growth and would lose money in sales tax over the long run. He believed that the beneficiaries from AB1221 would be schools.

Council Member Hansen commented that a recent article quoted Insurance Commissioner John Garamendi as saying he believed the Workers Compensation system in California is heading for collapse. There has been resistance to taking any corrective action, and it appears the collapse may happen before warnings are listened to. He noted that Lodi's Workers Compensation costs have increased 100%.

In answer to questions posed by Council Member Hansen, Mr. Flynn reported that there are currently ten vacancies in the City. Scenario 5 shows that the goal through attrition is to get to 20 by June 30, 2004, and 25 by June 30, 2005. Ms. McAthie clarified that the carryover projected for the 1<sup>st</sup> year is \$700,000 and \$500,000 in the 2<sup>nd</sup> year. This lower amount was projected due to reduced budgets. Regarding the share of medical coverage, Ms. McAthie stated that a calculation of the payroll system showed that it would be roughly \$300,000, and \$200,000 was budgeted as a conservative amount.

Council Member Beckman reported that he has discussed issues related to the Downtown Lodi Business Partnership (DLBP) with Darrell Didreckson. Mr. Beckman reported that over the past three years parking fines have ranged between \$41,000 and \$44,000 annually. He suggested that parking fine revenues be transferred to the DLBP in lieu of the annual contribution by the City of \$47,000. He asked that this be considered at a future meeting.

Mr. Flynn noted that staff is gathering information on how other cities handle their Business Improvement Districts. Mr. Flynn stated that he believed the Council needed to take more control over this issue. He read the following, "The City Council shall have sole discretion as to how the revenue derived from the tax is to be used within the scope of the above purposes." He stated that these purposes include acquisition, construction, maintenance, parking facilities, decoration of any public place, promotion of public events, furnishing of music, and the general promotion of retail trade activities in the area. He emphasized that the Council is ultimately responsible. The DLBP is advisory to the Council. He commented that the DLBP would likely be more successful if there were a major national retailer in the downtown area.

Council Member Beckman asked whether his suggestion could be considered as part of the 2003-05 budget. He reiterated that he was recommending turning over the fines for parking to the DLBP as its source of funding from the City and as a tool to empower the DLBP and fund itself. The DLBP could set the times, fine amounts, and parking limits.

Mr. Flynn anticipated that the matter could be brought back to Council this summer. He commented that by fall, the Council would likely be reconsidering the budget once the State's impacts are known, and any changes that are made at that time would be incorporated into the 2003-05 budget.

Council Member Hansen pointed out that the City would still be issuing the parking citations, and saw the potential for conflict with the DLBP who might believe that the City was not writing enough citations, or had enough enforcement.

In reply to Council Member Hansen, Mr. Flynn clarified that the City's annual contribution to the DLBP has been \$47,000. Any amount above that was for one-time purchases.

*Continued May 6, 2003*

Mayor Hitchcock recalled that the DLBP's warning that it might go out of business was in response to the suggestion that the \$39,000 for the banners be taken out of the \$47,000. The remaining amount would not be enough to operate.

Council Member Hansen concurred with Council Member Land's earlier suggestion not to have food available for Council meetings unless they begin at or before 5:30 p.m.

Mayor Pro Tempore Howard noted that scenario 5 shows a healthy fund balance and thanked staff for their hard work.

In response to questions by Mayor Hitchcock, Mr. Flynn stated that Police, Fire, and dispatchers would not be affected by the hire lag. If layoffs became necessary, the first to be affected would be the ten current vacant positions. Following that, each position would be evaluated as to its impact upon services in the community, the individual involved, and the morale of the people who work with them. He acknowledged that attrition would also have an impact on services, but it would not have as deleterious an effect on the morale of the organization. He stated that if after six months there was little or no attrition, he may in January 2004 have to recommend formal staff reductions to Council. If the State's budget impacts are significant, Mr. Flynn stated that the next step would be to look at program reductions. In reference to possible reductions in staff, he stated that they would likely begin with contractors, temporary employees, part-time employees, and then regular employees.

Council Member Hansen contended that part-time employees are less costly and yet the amount of services they provide can be significant. He asked how many employees have been hired in the past five years. He commented that due to the number of employees added during good years, if the trend must reverse for a year or two it might be difficult, but he did not see it as devastating.

Ms. McAthie reported that 19 positions were added in the 2001-03 budget; however, a large portion of these positions were to convert contract employees that were part-time working full-time hours. She noted that normally approximately five positions are added citywide during a budget cycle.

Mayor Hitchcock asked that a report on the hiring history of general fund employees be provided to Council.

C. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

D. ADJOURNMENT

There being no further business to come before the City Council, the meeting was adjourned at 8:05 a.m.

ATTEST:

Susan J. Blackston  
City Clerk

## **2003-05 Financial Plan and Budget Instructions**

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### **MAJOR BUDGET PREPARATION MILESTONES**

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	<b>STAFF</b>	<b>PUBLIC MEETINGS</b>
Review of Fiscal Policies and Presentation on Bond Rating		11/19/02
Review 2001-02 Budget vs. Actual		11/26/02
Discuss Budget Calendar and Proposed Financial Strategy		1/02/03
Issue Budget Instructions to Departments	1/6/03	
Adoption of Fiscal Policies and Budget Format		1/15/03
Discussion on City Council Goals – Special Council Meeting		1/21/03
Discussion on City Council Goals - continued		1/28/03
Discussion on Status of Highest Priority Projects		2/5/03
City Manager Revenue Review	2/10/03	
Departments Submit Budget Requests to Finance Department	2/17/03	
City Council Review of Revenue Assumptions		2/19/03
City Manager Review of Budget Requests	3/03/03	
Discuss Significant Expenditure & Staffing Requests		4/02/03
Discuss Capital Improvement Requests		4/22/03
Discuss Budget Scenarios		4/30/03
Discuss Budget Scenarios -continued		5/06/03
Discuss Fund Balance and release of Draft Budget Document		5/07/03
City Council Review of 2003-05 Financial Plan & Budget		6/04/03
City Council Review of 2003-05 Financial Plan & Budget – Special meeting		6/05/03
Adopt Financial Plan & Budget		6/18/03

General Fund	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5	
	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05	2003-04	2004-05
<b>Consistent Items</b>										
Anticipated Savings										
Hire lag - future (15)	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	- 0 -	- 0 -
Hire lag - future (10 in year 1 and 15 in year 2)									500,000	750,000
Hire lag - current (10)	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Golden Hand shake	200,000	400,000	200,000	400,000	200,000	400,000	200,000	400,000	200,000	400,000
Revenues										
Police Department	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000
Animal Shelter fees										
DUI increased fees										
Boot/tow parking offenders										
Parking Citation fee increase										
Finance Department	265,000	265,000	265,000	265,000	265,000	265,000	265,000	265,000	265,000	265,000
Return Check charge increase										
Increase in late fees on utilities										
Admin fee for business licenses										
Utility reconnect fee increase										
Community Development	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
Building permit fee increase										
Roofing permit fees										
Energy Plan Check										
ADA Plan Check										
Public Works	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000	52,000
Spec Event Traffic control services										
Plan check & processing fees for development projects										
Cal Trans maint agreement - Hwy 12										
Parks & Recreation										
Spec Event fee - Park Maintenance	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
BOBS reimbursements										
Change in Policy for Cost recovery P & R from 30% to 3	70,929	70,929	70,929	70,929	70,929	70,929	70,929	70,929	70,929	70,929
Change in Policy for Cost recovery HSS from 30% to 40%	145,308	145,308	145,308	145,308	145,308	145,308	145,308	145,308	145,308	145,308
Carry over	700,000	500,000	700,000	500,000	700,000	500,000	700,000	500,000	700,000	500,000
Value of E step to actual	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Voluntary Leave without pay (year one only)	50,000	- 0 -	50,000	- 0 -	50,000	- 0 -	50,000	- 0 -	50,000	- 0 -
Sub total of consistent items	3,533,237	3,483,237	3,533,237	3,483,237	3,533,237	3,483,237	3,533,237	3,483,237	3,283,237	3,483,237
<b>Variable Items</b>										
<b>Program Reductions</b>										
Arts Commission Grants	- 0 -	- 0 -	25,000	25,000	25,000	25,000	25,000	25,000	- 0 -	- 0 -
DLBP	5,000	5,000	10,000	10,000	10,000	10,000	10,000	10,000	- 0 -	- 0 -
Convention & Visitor Bureau	13,000	13,000	26,000	26,000	26,000	26,000	26,000	26,000	- 0 -	- 0 -
Chamber of Commerce	- 0 -	- 0 -	5,000	5,000	5,000	5,000	5,000	5,000	- 0 -	- 0 -
Kid's Night Out	- 0 -	- 0 -	18,000	18,000	18,000	18,000	18,000	18,000	- 0 -	- 0 -
Partnership	- 0 -	- 0 -	10,000	10,000	10,000	10,000	10,000	10,000	- 0 -	- 0 -
Reduce P/t Hours - Admin	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400	- 0 -	- 0 -
Reduce intern hours -- PW	22,000	22,000	22,000	22,000	22,000	22,000	22,000	22,000	- 0 -	- 0 -
Pacific Muni Consultant	- 0 -	- 0 -	72,000	72,000	72,000	72,000	72,000	72,000	- 0 -	- 0 -
Reductions Council Accounts	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	7,200	7,200
Reduce Admin	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	1,400	1,400
Reduce Public Works	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	22,000	22,000
Reduce General Fund Positions	- 0 -	- 0 -	- 0 -	800,000	- 0 -	800,000	- 0 -	- 0 -	- 0 -	- 0 -
Reduce 16 positions										
Pay Raises										
New pay raises	- 0 -	- 0 -	(953,236)	(981,833)	(953,236)	(981,833)	(953,236)	(981,833)	(953,236)	(981,833)
Share of medical coverage paid by employees	- 0 -	- 0 -	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Additions to Expenditures										
Additional 4 firefighters in year one	(324,435)	(324,435)	(324,435)	(324,435)	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Additional 4 firefighters - 3 in year one & 1 in year two	- 0 -	- 0 -	- 0 -	- 0 -	(243,435)	(244,435)	(243,435)	(244,435)	(243,435)	(244,435)
Subtotal of Variable Items	(283,035)	(283,035)	(888,271)	(116,868)	(807,271)	(116,868)	(807,271)	(916,868)	(966,071)	(1,075,668)
Grand total	3,250,202	3,200,202	2,644,966	3,366,369	2,725,966	3,366,369	2,725,966	2,566,369	2,317,166	2,407,569
Fund Balance (currently projected \$2,642,505) ended F/Y 2001-02 at 10% reserve (inc Library)	4,112,619	4,224,806	3,507,383	3,785,737	3,588,383	3,866,737	3,588,383	3,066,737	3,172,383	2,484,737
	16.67%	16.14%	15.50%	15.50%	15.73%	15.76%	15.93%	13.78%	14.71%	12.19%

	2001-2002	2002-2003	2003-2004	2003-2004	2003-2004	2004-2005
	Actual	Revised Budget	Requested Budget	Difference	Recommended Budget	Budget
<b>Revenues</b>						
Tax Revenues	19,447,199	20,700,317	21,160,890	0	21,160,890	21,950,230
Licenses and Permits	1,464,450	1,655,554	1,555,905	0	1,555,905	1,586,115
Fines and Forfeitures	743,058	795,227	811,090	0	811,090	763,945
Investment/Property Revenues	500,058	811,239	776,260	0	776,260	776,260
Intergovernmental Revenues	4,291,718	3,989,948	1,680,745	2,354,486	4,145,331	4,056,961
Service Charges	1,738,806	1,888,415	1,646,330	168,600	1,814,930	2,352,060
Other Revenue	138,294	81,105	114,250	5,000	119,250	121,235
<b>Total Revenue</b>	<b>28,323,583</b>	<b>29,921,805</b>	<b>27,745,470</b>	<b>2,528,086</b>	<b>30,383,656</b>	<b>31,606,806</b>
<b>Expenditures</b>						
Operating Programs						
Public Safety	13,132,941	13,571,753	15,081,744	(95,185)	14,986,559	16,541,964
Transportation	1,817,284	2,322,824	2,117,430	(45,160)	2,072,270	2,158,690
Leisure, Cultural and Social Services	4,082,832	4,060,887	4,520,230	198,025	4,718,255	4,842,885
Community and Economic Development	3,152,561	3,451,362	3,538,765	(249,355)	3,289,410	3,557,270
General Government	7,788,217	8,740,705	9,132,852	(127,200)	9,005,652	9,507,149
<b>Total Operating Programs</b>	<b>29,973,835</b>	<b>32,147,531</b>	<b>34,391,021</b>	<b>(318,875)</b>	<b>34,072,146</b>	<b>36,607,958</b>
Bulk Power Purchase	0		0	0	0	0
Other Purchases	0		0	0	0	0
Capital Projects	0			0	0	0
Debt Service						
<b>Total Expenditures</b>	<b>29,973,835</b>	<b>32,147,531</b>	<b>34,391,021</b>	<b>(318,875)</b>	<b>34,072,146</b>	<b>36,607,958</b>
<b>Revenues/Expenditures (Over/Under)</b>	<b>(1,650,252)</b>	<b>(2,225,726)</b>	<b>(6,645,551)</b>	<b>2,846,961</b>	<b>(3,688,490)</b>	<b>(5,001,152)</b>
<b>Other Sources (Uses)</b>						
Operating Transfers In	4,897,694	6,614,514	6,392,068	0	6,392,068	6,396,803
Operating Transfers Out	(4,288,392)	(5,534,561)	(4,490,867)	0	(4,490,867)	(4,490,867)
Other Sources (Uses)		1,200,000	2,317,166		2,317,166	2,407,569
<b>Total Other Sources (Uses)</b>	<b>609,302</b>	<b>2,279,953</b>	<b>4,218,368</b>	<b>0</b>	<b>4,218,368</b>	<b>4,313,506</b>
<b>Fund Balance Beginning of the Year</b>	<b>3,629,228</b>	<b>2,588,278</b>	<b>2,642,505</b>	<b>0</b>	<b>2,642,505</b>	<b>3,172,383</b>
Adjustment to Fund Balance						
<b>Fund Balance End of the Year</b>						
Reserved for Debt Service						
Designated Reserve						
Unreserved	2,588,278	2,642,505	215,322	2,846,961	3,172,383	2,484,737
<b>Total Fund Balance</b>	<b>2,588,278</b>	<b>2,642,505</b>	<b>215,322</b>	<b>2,846,961</b>	<b>3,172,383</b>	<b>2,484,737</b>
<b>Total: Fund Balance End of the Year</b>	<b>2,588,278</b>	<b>2,642,505</b>	<b>215,322</b>	<b>2,846,961</b>	<b>3,172,383</b>	<b>2,484,737</b>
<b>DIFFERENCE:</b>			<b>0</b>	<b>0</b>		

Other sources  
Program reductions  
Anticipated savings  
Revenues  
Carry over  
Value of e step vs actual  
Voluntary Leave w/o pay  
GF employees pay portion of medical  
Pay raises G/MO/F/P/FMM/PM  
Additions to Exp- 3 Fire fighters + one in 2nd year

1,200,000 #

0

0

30,600	30,600
1,200,000	1,650,000
1,133,237	1,133,237
700,000	500,000
200,000	200,000
50,000	
200,000	200,000
(953,236)	(981,833)
(243,435)	(324,435)
2,317,166	2,407,569

## Mayor's & Council Member's Weekly Calendar

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### WEEK OF MAY 6, 2003

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#### Tuesday, May 6, 2003

7:00 a.m. Special Meeting.  
1. Review and discuss fiscal years 2003-05 Financial Plan and Budget alternatives (CM)

Reminder No Shirtsleeve Session.

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#### Wednesday, May 7, 2003

2:00 p.m. **Hitchcock.** San Joaquin County City Selection Committee Meeting, Board of Supervisors Chambers, Courthouse, 222 East Weber Avenue, 7<sup>th</sup> Floor, Stockton.

7:00 p.m. City Council Meeting  
(Note: Closed Session 6:30 p.m.)

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#### Thursday, May 8, 2003

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#### Friday, May 9, 2003

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#### Saturday, May 10, 2003

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#### Sunday, May 11, 2003

*Happy Mother's Day*

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#### Monday, May 12, 2003

8:30 a.m. Lodi Police Department swearing-in ceremony for new officer, Juan Fuentes, Carnegie Forum. A small informal reception will follow in Carnegie conference room.

**Disclaimer: This calendar contains only information that was provided to the City Clerk's office**